

1 **SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CON-**
2 **TENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the
4 “Jobs and Growth Tax Relief Reconciliation Act of 2003”.

5 (b) AMENDMENT OF 1986 CODE.—Except as other-
6 wise expressly provided, whenever in this Act an amend-
7 ment or repeal is expressed in terms of an amendment
8 to, or repeal of, a section or other provision, the reference
9 shall be considered to be made to a section or other provi-
10 sion of the Internal Revenue Code of 1986.

11 (c) TABLE OF CONTENTS.—The table of contents of
12 this Act is as follows:

Sec. 1. Short title; references; table of contents.

**TITLE I—ACCELERATION OF CERTAIN PREVIOUSLY ENACTED
TAX REDUCTIONS**

Sec. 101. Acceleration of increase in child tax credit.

Sec. 102. Acceleration of 15-percent individual income tax rate bracket expansion for married taxpayers filing joint returns.

Sec. 103. Acceleration of increase in standard deduction for married taxpayers filing joint returns.

Sec. 104. Acceleration of 10-percent individual income tax rate bracket expansion.

Sec. 105. Acceleration of reduction in individual income tax rates.

Sec. 106. Minimum tax relief to individuals.

Sec. 107. Application of EGTRRA sunset to this title.

TITLE II—GROWTH INCENTIVES FOR BUSINESS

Sec. 201. Increase and extension of bonus depreciation.

Sec. 202. Increased expensing for small business.

**TITLE III—REDUCTION IN TAXES ON DIVIDENDS AND CAPITAL
GAINS**

Sec. 301. Reduction in capital gains rates for individuals; repeal of 5-year holding period requirement.

Sec. 302. Dividends of individuals taxed at capital gain rates.

Sec. 303. Sunset of title.

TITLE IV—TEMPORARY STATE FISCAL RELIEF



Sec. 401. Temporary State fiscal relief.

TITLE V—CORPORATE ESTIMATED TAX PAYMENTS FOR 2003

Sec. 501. Time for payment of corporate estimated taxes.

1 **TITLE I—ACCELERATION OF**
2 **CERTAIN PREVIOUSLY EN-**
3 **ACTED TAX REDUCTIONS**

4 **SEC. 101. ACCELERATION OF INCREASE IN CHILD TAX**
5 **CREDIT.**

6 (a) IN GENERAL.—The item relating to calendar
7 years 2001 through 2004 in the table contained in para-
8 graph (2) of section 24(a) (relating to per child amount)
9 is amended to read as follows:

“2003 or 2004 \$1,000”.

10 (b) ADVANCE PAYMENT OF PORTION OF INCREASED
11 CREDIT IN 2003.—

12 (1) IN GENERAL.—Subchapter B of chapter 65
13 (relating to abatements, credits, and refunds) is
14 amended by inserting after section 6428 the fol-
15 lowing new section:

16 **“SEC. 6429. ADVANCE PAYMENT OF PORTION OF IN-**
17 **CREASED CHILD CREDIT FOR 2003.**

18 “(a) IN GENERAL.—Each taxpayer who was allowed
19 a credit under section 24 on the return for the taxpayer’s
20 first taxable year beginning in 2002 shall be treated as
21 having made a payment against the tax imposed by chap-



1 ter 1 for such taxable year in an amount equal to the child
2 tax credit refund amount (if any) for such taxable year.

3 “(b) CHILD TAX CREDIT REFUND AMOUNT.—For
4 purposes of this section, the child tax credit refund
5 amount is the amount by which the aggregate credits al-
6 lowed under part IV of subchapter A of chapter 1 for such
7 first taxable year would have been increased if—

8 “(1) the per child amount under section
9 24(a)(2) for such year were \$1,000,

10 “(2) only qualifying children (as defined in sec-
11 tion 24(c)) of the taxpayer for such year who had
12 not attained age 17 as of December 31, 2003, were
13 taken into account, and

14 “(3) section 24(d)(1)(B)(ii) did not apply.

15 “(c) TIMING OF PAYMENTS.—In the case of any over-
16 payment attributable to this section, the Secretary shall,
17 subject to the provisions of this title, refund or credit such
18 overpayment as rapidly as possible and, to the extent prac-
19 ticable, before October 1, 2003. No refund or credit shall
20 be made or allowed under this section after December 31,
21 2003.

22 “(d) COORDINATION WITH CHILD TAX CREDIT.—

23 “(1) IN GENERAL.—The amount of credit
24 which would (but for this subsection and section 26)
25 be allowed under section 24 for the taxpayer’s first



1 taxable year beginning in 2003 shall be reduced (but
2 not below zero) by the payments made to the tax-
3 payer under this section. Any failure to so reduce
4 the credit shall be treated as arising out of a mathe-
5 matical or clerical error and assessed according to
6 section 6213(b)(1).

7 “(2) JOINT RETURNS.—In the case of a pay-
8 ment under this section with respect to a joint re-
9 turn, half of such payment shall be treated as hav-
10 ing been made to each individual filing such return.
11 “(e) NO INTEREST.—No interest shall be allowed on
12 any overpayment attributable to this section.”.

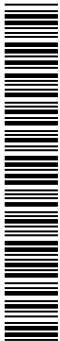
13 (2) CLERICAL AMENDMENT.—The table of sec-
14 tions for subchapter B of chapter 65 is amended by
15 adding at the end the following new item:

“Sec. 6429. Advance payment of portion of increased child credit
for 2003.”.

16 (c) EFFECTIVE DATES.—

17 (1) IN GENERAL.—Except as provided in para-
18 graph (2), the amendments made by this section
19 shall apply to taxable years beginning after Decem-
20 ber 31, 2002.

21 (2) SUBSECTION (b).—The amendments made
22 by subsection (b) shall take effect on the date of the
23 enactment of this Act.



1 **SEC. 102. ACCELERATION OF 15-PERCENT INDIVIDUAL IN-**
 2 **COME TAX RATE BRACKET EXPANSION FOR**
 3 **MARRIED TAXPAYERS FILING JOINT RE-**
 4 **TURNS.**

5 (a) IN GENERAL.—The table contained in subpara-
 6 graph (B) of section 1(f)(8) (relating to applicable per-
 7 centage) is amended by inserting before the item relating
 8 to 2005 the following new item:

“2003 and 2004 200”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Section 1(f)(8)(A) is amended by striking
 11 “2004” and inserting “2002”.

12 (2) Section 302(c) of the Economic Growth and
 13 Tax Relief Reconciliation Act of 2001 is amended by
 14 striking “2004” and inserting “2002”.

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to taxable years beginning after
 17 December 31, 2002.

18 **SEC. 103. ACCELERATION OF INCREASE IN STANDARD DE-**
 19 **DUCTION FOR MARRIED TAXPAYERS FILING**
 20 **JOINT RETURNS.**

21 (a) IN GENERAL.—The table contained in paragraph
 22 (7) of section 63(c) (relating to applicable percentage) is
 23 amended by inserting before the item relating to 2005 the
 24 following new item:

“2003 and 2004 200”.



1 (b) CONFORMING AMENDMENT.—Section 301(d) of
2 the Economic Growth and Tax Relief Reconciliation Act
3 of 2001 is amended by striking “2004” and inserting
4 “2002”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2002.

8 **SEC. 104. ACCELERATION OF 10-PERCENT INDIVIDUAL IN-**
9 **COME TAX RATE BRACKET EXPANSION.**

10 (a) IN GENERAL.—Clause (i) of section 1(i)(1)(B)
11 (relating to the initial bracket amount) is amended by
12 striking “(\$12,000 in the case of taxable years beginning
13 before January 1, 2008)” and inserting “(\$12,000 in the
14 case of taxable years beginning after December 31, 2004,
15 and before January 1, 2008)”.

16 (b) INFLATION ADJUSTMENT.—Subparagraph (C) of
17 section 1(i)(1) is amended to read as follows:

18 “(C) INFLATION ADJUSTMENT.—In pre-
19 scribing the tables under subsection (f) which
20 apply with respect to taxable years beginning in
21 calendar years after 2000—

22 “(i) except as provided in clause (ii),
23 the Secretary shall make no adjustment to
24 the initial bracket amounts for any taxable
25 year beginning before January 1, 2009,



1 “(ii) there shall be an adjustment
2 under subsection (f) of such amounts
3 which shall apply only to taxable years be-
4 ginning in 2004, and such adjustment
5 shall be determined under subsection (f)(3)
6 by substituting ‘2002’ for ‘1992’ in sub-
7 paragraph (B) thereof,

8 “(iii) the cost-of-living adjustment
9 used in making adjustments to the initial
10 bracket amounts for any taxable year be-
11 ginning after December 31, 2008, shall be
12 determined under subsection (f)(3) by sub-
13 stituting ‘2007’ for ‘1992’ in subparagraph
14 (B) thereof, and

15 “(iv) the adjustments under clauses
16 (ii) and (iii) shall not apply to the amount
17 referred to in subparagraph (B)(iii).

18 If any amount after adjustment under the pre-
19 ceding sentence is not a multiple of \$50, such
20 amount shall be rounded to the next lowest
21 multiple of \$50.”

22 (c) EFFECTIVE DATE.—

23 (1) IN GENERAL.—The amendments made by
24 this section shall apply to taxable years beginning
25 after December 31, 2002.



(2) TABLES FOR 2003.—The Secretary of the Treasury shall modify each table which has been prescribed under section 1(f) of the Internal Revenue Code of 1986 for taxable years beginning in 2003 and which relates to the amendment made by subsection (a) to reflect such amendment.

SEC. 105. ACCELERATION OF REDUCTION IN INDIVIDUAL INCOME TAX RATES.

(a) IN GENERAL.—The table contained in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended to read as follows:

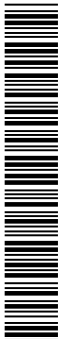
“In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2001	27.5%	30.5%	35.5%	39.1%
2002	27.0%	30.0%	35.0%	38.6%
2003 and thereafter	25.0%	28.0%	33.0%	35.0%”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 106. MINIMUM TAX RELIEF TO INDIVIDUALS.

(a) IN GENERAL.—

(1) Subparagraph (A) of section 55(d)(1) is amended by striking “\$49,000 in the case of taxable years beginning in 2001, 2002, 2003, and 2004” and inserting “\$58,000 in the case of taxable years beginning in 2003 and 2004”.



1 (2) Subparagraph (B) of section 55(d)(1) is
2 amended by striking “\$35,750 in the case of taxable
3 years beginning in 2001, 2002, 2003, and 2004”
4 and inserting “\$40,250 in the case of taxable years
5 beginning in 2003 and 2004”.

6 (b) EFFECTIVE DATE.—The amendments made by
7 subsection (a) shall apply to taxable years beginning after
8 December 31, 2002.

9 **SEC. 107. APPLICATION OF EGTRRA SUNSET TO THIS TITLE.**

10 Each amendment made by this title shall be subject
11 to title IX of the Economic Growth and Tax Relief Rec-
12 onciliation Act of 2001 to the same extent and in the same
13 manner as the provision of such Act to which such amend-
14 ment relates.

15 **TITLE II—GROWTH INCENTIVES**
16 **FOR BUSINESS**

17 **SEC. 201. INCREASE AND EXTENSION OF BONUS DEPRECIATION.**
18

19 (a) IN GENERAL.—Section 168(k) (relating to special
20 allowance for certain property acquired after September
21 10, 2001, and before September 11, 2004) is amended by
22 adding at the end the following new paragraph:

23 “(4) 50-PERCENT BONUS DEPRECIATION FOR
24 CERTAIN PROPERTY.—



1 “(A) IN GENERAL.—In the case of 50-per-
2 cent bonus depreciation property—

3 “(i) paragraph (1)(A) shall be applied
4 by substituting ‘50 percent’ for ‘30 per-
5 cent’, and

6 “(ii) except as provided in paragraph
7 (2)(C), such property shall be treated as
8 qualified property for purposes of this sub-
9 section.

10 “(B) 50-PERCENT BONUS DEPRECIATION
11 PROPERTY.—For purposes of this subsection,
12 the term ‘50-percent bonus depreciation prop-
13 erty’ means property described in paragraph
14 (2)(A)(i)—

15 “(i) the original use of which com-
16 mences with the taxpayer after May 5,
17 2003,

18 “(ii) which is acquired by the taxpayer
19 after May 5, 2003, and before January 1,
20 2005, but only if no written binding con-
21 tract for the acquisition was in effect be-
22 fore May 6, 2003, and

23 “(iii) which is placed in service by the
24 taxpayer before January 1, 2005, or, in
25 the case of property described in para-



1 graph (2)(B) (as modified by subpara-
2 graph (C) of this paragraph), before Janu-
3 ary 1, 2006.

4 “(C) SPECIAL RULES.—Rules similar to
5 the rules of subparagraphs (B) and (D) of
6 paragraph (2) shall apply for purposes of this
7 paragraph; except that references to September
8 10, 2001, shall be treated as references to May
9 5, 2003.

10 “(D) AUTOMOBILES.—Paragraph (2)(E)
11 shall be applied by substituting ‘\$7,650’ for
12 ‘\$4,600’ in the case of 50-percent bonus depre-
13 ciation property.

14 “(E) ELECTION OF 30-PERCENT BONUS.—
15 If a taxpayer makes an election under this sub-
16 paragraph with respect to any class of property
17 for any taxable year, subparagraph (A)(i) shall
18 not apply to all property in such class placed in
19 service during such taxable year.”

20 (b) EXTENSION OF CERTAIN DATES FOR 30-PER-
21 CENT BONUS DEPRECIATION PROPERTY.—

22 (1) PORTION OF BASIS TAKEN INTO AC-
23 COUNT.—

24 (A) Subparagraphs (B)(ii) and (D)(i) of
25 section 168(k)(2) are each amended by striking



1 “September 11, 2004” each place it appears in
2 the text and inserting “January 1, 2005”.

3 (B) Clause (ii) of section 168(k)(2)(B) is
4 amended by striking “PRE-SEPTEMBER 11,
5 2004” in the heading and inserting “PRE-JANU-
6 ARY 1, 2005”.

7 (2) ACQUISITION DATE.—Clause (iii) of section
8 168(k)(2)(A) is amended by striking “September 11,
9 2004” each place it appears and inserting “January
10 1, 2005”.

11 (3) ELECTION.—Clause (iii) of section
12 168(k)(2)(C) is amended by adding at the end the
13 following: “The preceding sentence shall be applied
14 separately with respect to property treated as quali-
15 fied property by paragraph (4) and other qualified
16 property.”

17 (c) CONFORMING AMENDMENTS.—

18 (1) The subsection heading for section 168(k) is
19 amended by striking “SEPTEMBER 11, 2004” and
20 inserting “JANUARY 1, 2005”.

21 (2) The heading for clause (i) of section
22 1400L(b)(2)(C) is amended by striking “30-PER-
23 CENT ADDITIONAL ALLOWANCE PROPERTY” and in-
24 serting “BONUS DEPRECIATION PROPERTY UNDER
25 SECTION 168(k)”.



1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years ending after May
3 5, 2003.

4 **SEC. 202. INCREASED EXPENSING FOR SMALL BUSINESS.**

5 (a) IN GENERAL.—Paragraph (1) of section 179(b)
6 (relating to dollar limitation) is amended to read as fol-
7 lows:

8 “(1) DOLLAR LIMITATION.—The aggregate cost
9 which may be taken into account under subsection
10 (a) for any taxable year shall not exceed \$25,000
11 (\$100,000 in the case of taxable years beginning
12 after 2002 and before 2006).”.

13 (b) INCREASE IN QUALIFYING INVESTMENT AT
14 WHICH PHASEOUT BEGINS.—Paragraph (2) of section
15 179(b) (relating to reduction in limitation) is amended by
16 inserting “(\$400,000 in the case of taxable years begin-
17 ning after 2002 and before 2006)” after “\$200,000”.

18 (c) OFF-THE-SHELF COMPUTER SOFTWARE.—Para-
19 graph (1) of section 179(d) (defining section 179 prop-
20 erty) is amended to read as follows:

21 “(1) SECTION 179 PROPERTY.—For purposes of
22 this section, the term ‘section 179 property’ means
23 property—

24 “(A) which is—



1 “(i) tangible property (to which sec-
2 tion 168 applies), or

3 “(ii) computer software (as defined in
4 section 197(e)(3)(B)) which is described in
5 section 197(e)(3)(A)(i), to which section
6 167 applies, and which is placed in service
7 in a taxable year beginning after 2002 and
8 before 2006,

9 “(B) which is section 1245 property (as
10 defined in section 1245(a)(3)), and

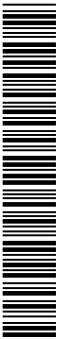
11 “(C) which is acquired by purchase for use
12 in the active conduct of a trade or business.

13 Such term shall not include any property described
14 in section 50(b) and shall not include air condi-
15 tioning or heating units.”.

16 (d) ADJUSTMENT OF DOLLAR LIMIT AND PHASEOUT
17 THRESHOLD FOR INFLATION.—Subsection (b) of section
18 179 (relating to limitations) is amended by adding at the
19 end the following new paragraph:

20 “(5) INFLATION ADJUSTMENTS.—

21 “(A) IN GENERAL.—In the case of any
22 taxable year beginning in a calendar year after
23 2003 and before 2006, the \$100,000 and
24 \$400,000 amounts in paragraphs (1) and (2)



1 shall each be increased by an amount equal
2 to—

3 “(i) such dollar amount, multiplied by

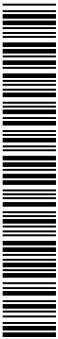
4 “(ii) the cost-of-living adjustment de-
5 termined under section 1(f)(3) for the cal-
6 endar year in which the taxable year be-
7 gins, by substituting ‘calendar year 2002’
8 for ‘calendar year 1992’ in subparagraph
9 (B) thereof.

10 “(B) ROUNDING.—

11 “(i) DOLLAR LIMITATION.—If the
12 amount in paragraph (1) as increased
13 under subparagraph (A) is not a multiple
14 of \$1,000, such amount shall be rounded
15 to the nearest multiple of \$1,000.

16 “(ii) PHASEOUT AMOUNT.—If the
17 amount in paragraph (2) as increased
18 under subparagraph (A) is not a multiple
19 of \$10,000, such amount shall be rounded
20 to the nearest multiple of \$10,000.”.

21 (e) REVOCATION OF ELECTION.—Paragraph (2) of
22 section 179(c) (relating to election irrevocable) is amended
23 by adding at the end the following new sentence: “Any
24 such election or specification with respect to any taxable
25 year beginning after 2002 and before 2006 may be re-



1 voked by the taxpayer with respect to any property, and
2 such revocation, once made, shall be irrevocable.”.

3 (f) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2002.

6 **TITLE III—REDUCTION IN TAXES**
7 **ON DIVIDENDS AND CAPITAL**
8 **GAINS**

9 **SEC. 301. REDUCTION IN CAPITAL GAINS RATES FOR INDIV-**
10 **IDUALS; REPEAL OF 5-YEAR HOLDING PE-**
11 **RIOD REQUIREMENT.**

12 (a) IN GENERAL.—

13 (1) Sections 1(h)(1)(B) and 55(b)(3)(B) are
14 each amended by striking “10 percent” and insert-
15 ing “5 percent (0 percent in the case of taxable
16 years beginning after 2007)”.

17 (2) The following sections are each amended by
18 striking “20 percent” and inserting “15 percent”:

19 (A) Section 1(h)(1)(C).

20 (B) Section 55(b)(3)(C).

21 (C) Section 1445(e)(1).

22 (D) The second sentence of section
23 7518(g)(6)(A).



1 (E) The second sentence of section
2 607(h)(6)(A) of the Merchant Marine Act,
3 1936.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 1(h) is amended—

6 (A) by striking paragraphs (2) and (9),

7 (B) by redesignating paragraphs (3)
8 through (8) as paragraphs (2) through (7), re-
9 spectively, and

10 (C) by redesignating paragraphs (10),
11 (11), and (12) as paragraphs (8), (9), and (10),
12 respectively.

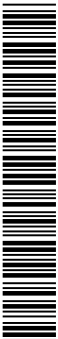
13 (2) Paragraph (3) of section 55(b) is amended
14 by striking “In the case of taxable years beginning
15 after December 31, 2000, rules similar to the rules
16 of section 1(h)(2) shall apply for purposes of sub-
17 paragraphs (B) and (C).”.

18 (3) Paragraph (7) of section 57(a) is
19 amended—

20 (A) by striking “42 percent” the first place
21 it appears and inserting “7 percent”, and

22 (B) by striking the last sentence.

23 (c) TRANSITIONAL RULES FOR TAXABLE YEARS
24 WHICH INCLUDE MAY 6, 2003.—For purposes of apply-



1 ing section 1(h) of the Internal Revenue Code of 1986 in
2 the case of a taxable year which includes May 6, 2003—

3 (1) The amount of tax determined under sub-
4 paragraph (B) of section 1(h)(1) of such Code shall
5 be the sum of—

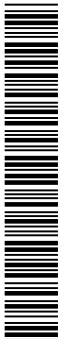
6 (A) 5 percent of the lesser of—

7 (i) the net capital gain determined by
8 taking into account only gain or loss prop-
9 erly taken into account for the portion of
10 the taxable year on or after May 6, 2003
11 (determined without regard to collectibles
12 gain or loss, gain described in section
13 1(h)(6)(A)(i) of such Code, and section
14 1202 gain), or

15 (ii) the amount on which a tax is de-
16 termined under such subparagraph (with-
17 out regard to this subsection),

18 (B) 8 percent of the lesser of—

19 (i) the qualified 5-year gain (as de-
20 fined in section 1(h)(9) of the Internal
21 Revenue Code of 1986, as in effect on the
22 day before the date of the enactment of
23 this Act) properly taken into account for
24 the portion of the taxable year before May
25 6, 2003, or



1 (ii) the excess (if any) of—

2 (I) the amount on which a tax is
3 determined under such subparagraph
4 (without regard to this subsection),
5 over

6 (II) the amount on which a tax is
7 determined under subparagraph (A),
8 plus

9 (C) 10 percent of the excess (if any) of—

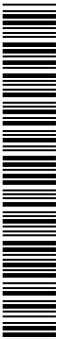
10 (i) the amount on which a tax is de-
11 termined under such subparagraph (with-
12 out regard to this subsection), over

13 (ii) the sum of the amounts on which
14 a tax is determined under subparagraphs
15 (A) and (B).

16 (2) The amount of tax determined under sub-
17 paragraph (C) of section (1)(h)(1) of such Code
18 shall be the sum of—

19 (A) 15 percent of the lesser of—

20 (i) the excess (if any) of the amount
21 of net capital gain determined under sub-
22 paragraph (A)(i) of paragraph (1) of this
23 subsection over the amount on which a tax
24 is determined under subparagraph (A) of
25 paragraph (1) of this subsection, or



1 (ii) the amount on which a tax is de-
2 termined under such subparagraph (C)
3 (without regard to this subsection), plus

4 (B) 20 percent of the excess (if any) of—

5 (i) the amount on which a tax is de-
6 termined under such subparagraph (C)
7 (without regard to this subsection), over

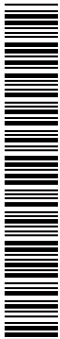
8 (ii) the amount on which a tax is de-
9 termined under subparagraph (A) of this
10 paragraph.

11 (3) For purposes of applying section 55(b)(3)
12 of such Code, rules similar to the rules of para-
13 graphs (1) and (2) of this subsection shall apply.

14 (4) In applying this subsection with respect to
15 any pass-thru entity, the determination of when
16 gains and losses are properly taken into account
17 shall be made at the entity level.

18 (5) For purposes of applying section 1(h)(11)
19 of such Code, as added by section 302 of this Act,
20 to this subsection, dividends which are qualified divi-
21 dend income shall be treated as gain properly taken
22 into account for the portion of the taxable year on
23 or after May 6, 2003.

24 (6) Terms used in this subsection which are
25 also used in section 1(h) of such Code shall have the



1 respective meanings that such terms have in such
2 section.

3 (d) EFFECTIVE DATES.—

4 (1) IN GENERAL.—Except as otherwise pro-
5 vided by this subsection, the amendments made by
6 this section shall apply to taxable years ending on or
7 after May 6, 2003.

8 (2) WITHHOLDING.—The amendment made by
9 subsection (a)(2)(C) shall apply to amounts paid
10 after the date of the enactment of this Act.

11 (3) SMALL BUSINESS STOCK.—The amend-
12 ments made by subsection (b)(3) shall apply to dis-
13 positions on or after May 6, 2003.

14 **SEC. 302. DIVIDENDS OF INDIVIDUALS TAXED AT CAPITAL**
15 **GAIN RATES.**

16 (a) IN GENERAL.—Section 1(h) (relating to max-
17 imum capital gains rate), as amended by section 301, is
18 amended by adding at the end the following new para-
19 graph:

20 “(11) DIVIDENDS TAXED AS NET CAPITAL
21 GAIN.—

22 “(A) IN GENERAL.—For purposes of this
23 subsection, the term ‘net capital gain’ means
24 net capital gain (determined without regard to



1 this paragraph) increased by qualified dividend
2 income.

3 “(B) QUALIFIED DIVIDEND INCOME.—For
4 purposes of this paragraph—

5 “(i) IN GENERAL.—The term ‘quali-
6 fied dividend income’ means dividends re-
7 ceived during the taxable year from—

8 “(I) domestic corporations, and

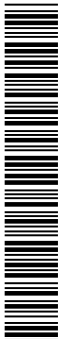
9 “(II) qualified foreign corpora-
10 tions.

11 “(ii) CERTAIN DIVIDENDS EX-
12 CLUDED.—Such term shall not include—

13 “(I) any dividend from a corpora-
14 tion which for the taxable year of the
15 corporation in which the distribution
16 is made, or the preceding taxable
17 year, is a corporation exempt from tax
18 under section 501 or 521,

19 “(II) any amount allowed as a
20 deduction under section 591 (relating
21 to deduction for dividends paid by
22 mutual savings banks, etc.), and

23 “(III) any dividend described in
24 section 404(k).



1 “(iii) COORDINATION WITH SECTION
2 246(C).—Such term shall not include any
3 dividend on any share of stock—

4 “(I) with respect to which the
5 holding period requirements of section
6 246(c) are not met (determined by
7 substituting in section 246(c)(1) ‘60
8 days’ for ‘45 days’ each place it ap-
9 pears and by substituting ‘120-day
10 period’ for ‘90-day period’), or

11 “(II) to the extent that the tax-
12 payer is under an obligation (whether
13 pursuant to a short sale or otherwise)
14 to make related payments with respect
15 to positions in substantially similar or
16 related property.

17 “(C) QUALIFIED FOREIGN CORPORA-
18 TIONS.—

19 “(i) IN GENERAL.—Except as other-
20 wise provided in this paragraph, the term
21 ‘qualified foreign corporation’ means any
22 foreign corporation if—

23 “(I) such corporation is incor-
24 porated in a possession of the United
25 States, or



1 “(II) such corporation is eligible
2 for benefits of a comprehensive in-
3 come tax treaty with the United
4 States which the Secretary determines
5 is satisfactory for purposes of this
6 paragraph and which includes an ex-
7 change of information program.

8 “(ii) DIVIDENDS ON STOCK READILY
9 TRADABLE ON UNITED STATES SECURITIES
10 MARKET.—A foreign corporation not other-
11 wise treated as a qualified foreign corpora-
12 tion under clause (i) shall be so treated
13 with respect to any dividend paid by such
14 corporation if the stock with respect to
15 which such dividend is paid is readily
16 tradable on an established securities mar-
17 ket in the United States.

18 “(iii) EXCLUSION OF DIVIDENDS OF
19 CERTAIN FOREIGN CORPORATIONS.—Such
20 term shall not include any foreign corpora-
21 tion which for the taxable year of the cor-
22 poration in which the dividend was paid, or
23 the preceding taxable year, is a foreign
24 personal holding company (as defined in
25 section 552), a foreign investment com-



pany (as defined in section 1246(b)), or a passive foreign investment company (as defined in section 1297).

“(iv) COORDINATION WITH FOREIGN TAX CREDIT LIMITATION.—Rules similar to the rules of section 904(b)(2)(B) shall apply with respect to the dividend rate differential under this paragraph.

“(D) SPECIAL RULES.—

“(i) AMOUNTS TAKEN INTO ACCOUNT AS INVESTMENT INCOME.—Qualified dividend income shall not include any amount which the taxpayer takes into account as investment income under section 163(d)(4)(B).

“(ii) EXTRAORDINARY DIVIDENDS.—If an individual receives, with respect to any share of stock, qualified dividend income from 1 or more dividends which are extraordinary dividends (within the meaning of section 1059(c)), any loss on the sale or exchange of such share shall, to the extent of such dividends, be treated as long-term capital loss.



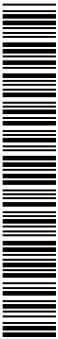
1 “(iii) TREATMENT OF DIVIDENDS
2 FROM REGULATED INVESTMENT COMPA-
3 NIES AND REAL ESTATE INVESTMENT
4 TRUSTS.—A dividend received from a regu-
5 lated investment company or a real estate
6 investment trust shall be subject to the
7 limitations prescribed in sections 854 and
8 857.”

9 (b) EXCLUSION OF DIVIDENDS FROM INVESTMENT
10 INCOME.—Subparagraph (B) of section 163(d)(4) (defin-
11 ing net investment income) is amended by adding at the
12 end the following flush sentence:

13 “Such term shall include qualified dividend in-
14 come (as defined in section 1(h)(11)(B)) only to
15 the extent the taxpayer elects to treat such in-
16 come as investment income for purposes of this
17 subsection.”

18 (c) TREATMENT OF DIVIDENDS FROM REGULATED
19 INVESTMENT COMPANIES.—

20 (1) Subsection (a) of section 854 (relating to
21 dividends received from regulated investment compa-
22 nies) is amended by inserting “section 1(h)(11) (re-
23 lating to maximum rate of tax on dividends) and”
24 after “For purposes of”.



1 (2) Paragraph (1) of section 854(b) (relating to
2 other dividends) is amended by redesignating sub-
3 paragraph (B) as subparagraph (C) and by inserting
4 after subparagraph (A) the following new subpara-
5 graph:

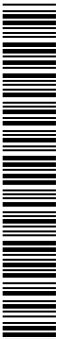
6 “(B) MAXIMUM RATE UNDER SECTION
7 1(h).—

8 “(i) IN GENERAL.—If the aggregate
9 dividends received by a regulated invest-
10 ment company during any taxable year are
11 less than 95 percent of its gross income,
12 then, in computing the maximum rate
13 under section 1(h)(11), rules similar to the
14 rules of subparagraph (A) shall apply.

15 “(ii) GROSS INCOME.—For purposes
16 of clause (i), in the case of 1 or more sales
17 or other dispositions of stock or securities,
18 the term ‘gross income’ includes only the
19 excess of—

20 “(I) the net short-term capital
21 gain from such sales or dispositions,
22 over

23 “(II) the net long-term capital
24 loss from such sales or dispositions.



1 “(iii) DIVIDENDS FROM REAL ESTATE
2 INVESTMENT TRUSTS.—For purposes of
3 clause (i)—

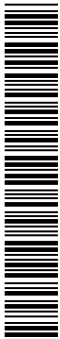
4 “(I) paragraph (3)(B)(ii) shall
5 not apply, and

6 “(II) in the case of a distribution
7 from a trust described in such para-
8 graph, the amount of such distribu-
9 tion which is a dividend shall be sub-
10 ject to the limitations under section
11 857(c).

12 “(iv) DIVIDENDS FROM QUALIFIED
13 FOREIGN CORPORATIONS.—For purposes
14 of clause (i), dividends received from quali-
15 fied foreign corporations (as defined in sec-
16 tion 1(h)(11)) shall also be taken into ac-
17 count in computing aggregate dividends re-
18 ceived.”

19 (3) Subparagraph (C) of section 854(b)(1), as
20 redesignated by paragraph (2), is amended by strik-
21 ing “subparagraph (A)” and inserting “subpara-
22 graph (A) or (B)”.

23 (4) Paragraph (2) of section 854(b) is amended
24 by inserting “the maximum rate under section
25 1(h)(11) and” after “for purposes of”.



1 (5) Subsection (b) of section 854 is amended by
2 adding at the end the following new paragraph:

3 “(5) COORDINATION WITH SECTION 1(h)(11).—
4 For purposes of paragraph (1)(B), an amount shall
5 be treated as a dividend only if the amount is quali-
6 fied dividend income (within the meaning of section
7 1(h)(11)(B)).”

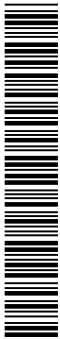
8 (d) TREATMENT OF DIVIDENDS RECEIVED FROM
9 REAL ESTATE INVESTMENT TRUSTS.—Section 857(c)
10 (relating to restrictions applicable to dividends received
11 from real estate investment trusts) is amended to read as
12 follows:

13 “(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RE-
14 CEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

15 “(1) SECTION 243.—For purposes of section
16 243 (relating to deductions for dividends received by
17 corporations), a dividend received from a real estate
18 investment trust which meets the requirements of
19 this part shall not be considered a dividend.

20 “(2) SECTION 1(h)(11).—For purposes of sec-
21 tion 1(h)(11) (relating to maximum rate of tax on
22 dividends)—

23 “(A) rules similar to the rules of subpara-
24 graphs (B) and (C) of section 854(b)(1) shall
25 apply to dividends received from a real estate



1 investment trust which meets the requirements
2 of this part, and

3 “(B) for purposes of such rules, such a
4 trust shall be treated as receiving qualified divi-
5 dend income during any taxable year in an
6 amount equal to the sum of—

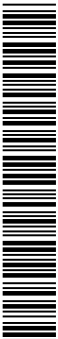
7 “(i) the excess of real estate invest-
8 ment trust taxable income computed under
9 section 857(b)(2) for the preceding taxable
10 year over the tax payable by the trust
11 under section 857(b)(1) for such preceding
12 taxable year, and

13 “(ii) the excess of the income subject
14 to tax by reason of the application of the
15 regulations under section 337(d) for the
16 preceding taxable year over the tax payable
17 by the trust on such income for such pre-
18 ceding taxable year.”

19 (e) CONFORMING AMENDMENTS.—

20 (1) Paragraph (3) of section 1(h), as redesign-
21 nated by section 301, is amended to read as follows:

22 “(3) ADJUSTED NET CAPITAL GAIN.—For pur-
23 poses of this subsection, the term ‘adjusted net cap-
24 ital gain’ means the sum of—



1 “(A) net capital gain (determined without
2 regard to paragraph (11)) reduced (but not
3 below zero) by the sum of—

4 “(i) unrecaptured section 1250 gain,
5 and

6 “(ii) 28-percent rate gain, plus

7 “(B) qualified dividend income (as defined
8 in paragraph (11)).”

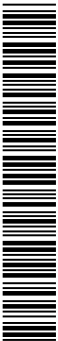
9 (2) Subsection (f) of section 301 is amended
10 adding at the end the following new paragraph:

11 “(4) For taxation of dividends received by indi-
12 viduals at capital gain rates, see section 1(h)(11).”

13 (3) Paragraph (1) of section 306(a) is amended
14 by adding at the end the following new subpara-
15 graph:

16 “(D) TREATMENT AS DIVIDEND.—For
17 purposes of section 1(h)(11) and such other
18 provisions as the Secretary may specify, any
19 amount treated as ordinary income under this
20 paragraph shall be treated as a dividend re-
21 ceived from the corporation.”

22 (4)(A) Subpart C of part II of subchapter C of
23 chapter 1 (relating to collapsible corporations) is re-
24 pealed.



1 (B)(i) Section 338(h) is amended by striking
2 paragraph (14).

3 (ii) Sections 467(c)(5)(C), 1255(b)(2), and
4 1257(d) are each amended by striking “,
5 341(e)(12),”.

6 (iii) The table of subparts for part II of sub-
7 chapter C of chapter 1 is amended by striking the
8 item related to subpart C.

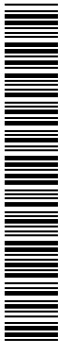
9 (5) Section 531 is amended by striking “equal
10 to” and all that follows and inserting “equal to 15
11 percent of the accumulated taxable income.”

12 (6) Section 541 is amended by striking “equal
13 to” and all that follows and inserting “equal to 15
14 percent of the undistributed personal holding com-
15 pany income.”

16 (7) Section 584(c) is amended by adding at the
17 end the following new flush sentence:

18 “The proportionate share of each participant in the
19 amount of dividends received by the common trust fund
20 and to which section 1(h)(11) applies shall be considered
21 for purposes of such paragraph as having been received
22 by such participant.”

23 (8) Paragraph (5) of section 702(a) is amended
24 to read as follows:



1 “(5) dividends with respect to which section
2 1(h)(11) or part VIII of subchapter B applies,”.

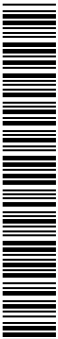
3 (f) EFFECTIVE DATE.—

4 (1) IN GENERAL.—Except as provided in para-
5 graph (2), the amendments made by this section
6 shall apply to taxable years beginning after Decem-
7 ber 31, 2002.

8 (2) REGULATED INVESTMENT COMPANIES AND
9 REAL ESTATE INVESTMENT TRUSTS.—In the case of
10 a regulated investment company or a real estate in-
11 vestment trust, the amendments made by this sec-
12 tion shall apply to taxable years ending after Decem-
13 ber 31, 2002; except that dividends received by such
14 a company or trust on or before such date shall not
15 be treated as qualified dividend income (as defined
16 in section 1(h)(11)(B) of the Internal Revenue Code
17 of 1986, as added by this Act).

18 **SEC. 303. SUNSET OF TITLE.**

19 All provisions of, and amendments made by, this title
20 shall not apply to taxable years beginning after December
21 31, 2008, and the Internal Revenue Code of 1986 shall
22 be applied and administered to such years as if such provi-
23 sions and amendments had never been enacted.



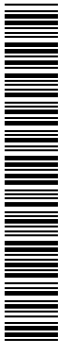
1 **TITLE IV—TEMPORARY STATE**
2 **FISCAL RELIEF**

3 **SEC. 401. TEMPORARY STATE FISCAL RELIEF.**

4 (a) \$10,000,000,000 FOR A TEMPORARY INCREASE
5 OF THE MEDICAID FMAP.—

6 (1) PERMITTING MAINTENANCE OF FISCAL
7 YEAR 2002 FMAP FOR LAST 2 CALENDAR QUARTERS
8 OF FISCAL YEAR 2003.—Subject to paragraph (5), if
9 the FMAP determined without regard to this sub-
10 section for a State for fiscal year 2003 is less than
11 the FMAP as so determined for fiscal year 2002,
12 the FMAP for the State for fiscal year 2002 shall
13 be substituted for the State's FMAP for the third
14 and fourth calendar quarters of fiscal year 2003, be-
15 fore the application of this subsection.

16 (2) PERMITTING MAINTENANCE OF FISCAL
17 YEAR 2003 FMAP FOR FIRST 3 QUARTERS OF FISCAL
18 YEAR 2004.—Subject to paragraph (5), if the FMAP
19 determined without regard to this subsection for a
20 State for fiscal year 2004 is less than the FMAP as
21 so determined for fiscal year 2003, the FMAP for
22 the State for fiscal year 2003 shall be substituted
23 for the State's FMAP for the first, second, and third
24 calendar quarters of fiscal year 2004, before the ap-
25 plication of this subsection.



1 (3) GENERAL 2.95 PERCENTAGE POINTS IN-
2 CREASE FOR LAST 2 CALENDAR QUARTERS OF FIS-
3 CAL YEAR 2003 AND FIRST 3 CALENDAR QUARTERS
4 OF FISCAL YEAR 2004.—Subject to paragraphs (5),
5 (6), and (7), for each State for the third and fourth
6 calendar quarters of fiscal year 2003 and for the
7 first, second, and third calendar quarters of fiscal
8 year 2004, the FMAP (taking into account the ap-
9 plication of paragraphs (1) and (2)) shall be in-
10 creased by 2.95 percentage points.

11 (4) INCREASE IN CAP ON MEDICAID PAYMENTS
12 TO TERRITORIES.—Subject to paragraphs (6) and
13 (7), with respect to the third and fourth calendar
14 quarters of fiscal year 2003 and the first, second,
15 and third calendar quarters of fiscal year 2004, the
16 amounts otherwise determined for Puerto Rico, the
17 Virgin Islands, Guam, the Northern Mariana Is-
18 lands, and American Samoa under subsections (f)
19 and (g) of section 1108 of the Social Security Act
20 (42 U.S.C. 1308) shall each be increased by an
21 amount equal to 5.90 percent of such amounts.

22 (5) SCOPE OF APPLICATION.—The increases in
23 the FMAP for a State under this subsection shall
24 apply only for purposes of title XIX of the Social Se-
25 curity Act and shall not apply with respect to—



1 (A) disproportionate share hospital pay-
2 ments described in section 1923 of such Act
3 (42 U.S.C. 1396r-4);

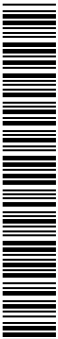
4 (B) payments under title IV or XXI of
5 such Act (42 U.S.C. 601 et seq. and 1397aa et
6 seq.); or

7 (C) any payments under XIX of such Act
8 that are based on the enhanced FMAP de-
9 scribed in section 2105(b) of such Act (42
10 U.S.C. 1397ee(b)).

11 (6) STATE ELIGIBILITY.—

12 (A) IN GENERAL.—Subject to subpara-
13 graph (B), a State is eligible for an increase in
14 its FMAP under paragraph (3) or an increase
15 in a cap amount under paragraph (4) only if
16 the eligibility under its State plan under title
17 XIX of the Social Security Act (including any
18 waiver under such title or under section 1115
19 of such Act (42 U.S.C. 1315)) is no more re-
20 strictive than the eligibility under such plan (or
21 waiver) as in effect on September 2, 2003.

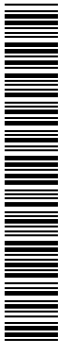
22 (B) STATE REINSTATEMENT OF ELIGI-
23 BILITY PERMITTED.—A State that has re-
24 stricted eligibility under its State plan under
25 title XIX of the Social Security Act (including



1 any waiver under such title or under section
2 1115 of such Act (42 U.S.C. 1315)) after Sep-
3 tember 2, 2003, is eligible for an increase in its
4 FMAP under paragraph (3) or an increase in
5 a cap amount under paragraph (4) in the first
6 calendar quarter (and subsequent calendar
7 quarters) in which the State has reinstated eli-
8 gibility that is no more restrictive than the eli-
9 gibility under such plan (or waiver) as in effect
10 on September 2, 2003.

11 (C) RULE OF CONSTRUCTION.—Nothing in
12 subparagraph (A) or (B) shall be construed as
13 affecting a State's flexibility with respect to
14 benefits offered under the State medicaid pro-
15 gram under title XIX of the Social Security Act
16 (42 U.S.C. 1396 et seq.) (including any waiver
17 under such title or under section 1115 of such
18 Act (42 U.S.C. 1315)).

19 (7) REQUIREMENT FOR CERTAIN STATES.—In
20 the case of a State that requires political subdivi-
21 sions within the State to contribute toward the non-
22 Federal share of expenditures under the State med-
23 icaid plan required under section 1902(a)(2) of the
24 Social Security Act (42 U.S.C. 1396a(a)(2)), the
25 State shall not require that such political subdivi-



1 sions pay a greater percentage of the non-Federal
2 share of such expenditures for the third and fourth
3 calendar quarters of fiscal year 2003 and the first,
4 second and third calendar quarters of fiscal year
5 2004, than the percentage that was required by the
6 State under such plan on April 1, 2003, prior to ap-
7 plication of this subsection.

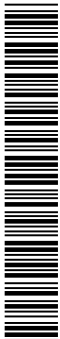
8 (8) DEFINITIONS.—In this subsection:

9 (A) FMAP.—The term “FMAP” means
10 the Federal medical assistance percentage, as
11 defined in section 1905(b) of the Social Secu-
12 rity Act (42 U.S.C. 1396d(b)).

13 (B) STATE.—The term “State” has the
14 meaning given such term for purposes of title
15 XIX of the Social Security Act (42 U.S.C. 1396
16 et seq.).

17 (9) REPEAL.—Effective as of October 1, 2004,
18 this subsection is repealed.

19 (b) \$10,000,000,000 TO ASSIST STATES IN PRO-
20 VIDING GOVERNMENT SERVICES.—The Social Security
21 Act (42 U.S.C. 301 et seq.) is amended by inserting after
22 title V the following:



1 **“TITLE VI—TEMPORARY STATE**
2 **FISCAL RELIEF**

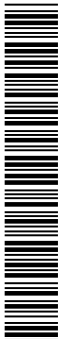
3 **“SEC. 601. TEMPORARY STATE FISCAL RELIEF.**

4 “(a) APPROPRIATION.—There is authorized to be ap-
5 propriated and is appropriated for making payments to
6 States under this section, \$5,000,000,000 for each of fis-
7 cal years 2003 and 2004.

8 “(b) PAYMENTS.—

9 “(1) FISCAL YEAR 2003.—From the amount ap-
10 propriated under subsection (a) for fiscal year 2003,
11 the Secretary of the Treasury shall, not later than
12 the later of the date that is 45 days after the date
13 of enactment of this Act or the date that a State
14 provides the certification required by subsection (e)
15 for fiscal year 2003, pay each State the amount de-
16 termined for the State for fiscal year 2003 under
17 subsection (c).

18 “(2) FISCAL YEAR 2004.—From the amount ap-
19 propriated under subsection (a) for fiscal year 2004,
20 the Secretary of the Treasury shall, not later than
21 the later of October 1, 2003, or the date that a
22 State provides the certification required by sub-
23 section (e) for fiscal year 2004, pay each State the
24 amount determined for the State for fiscal year
25 2004 under subsection (c).



1 “(c) PAYMENTS BASED ON POPULATION.—

2 “(1) IN GENERAL.—Subject to paragraph (2),
3 the amount appropriated under subsection (a) for
4 each of fiscal years 2003 and 2004 shall be used to
5 pay each State an amount equal to the relative pop-
6 ulation proportion amount described in paragraph
7 (3) for such fiscal year.

8 “(2) MINIMUM PAYMENT.—

9 “(A) IN GENERAL.—No State shall receive
10 a payment under this section for a fiscal year
11 that is less than—

12 “(i) in the case of 1 of the 50 States
13 or the District of Columbia, $\frac{1}{2}$ of 1 per-
14 cent of the amount appropriated for such
15 fiscal year under subsection (a); and

16 “(ii) in the case of the Commonwealth
17 of Puerto Rico, the United States Virgin
18 Islands, Guam, the Commonwealth of the
19 Northern Mariana Islands, or American
20 Samoa, $\frac{1}{10}$ of 1 percent of the amount ap-
21 propriated for such fiscal year under sub-
22 section (a).

23 “(B) PRO RATA ADJUSTMENTS.—The Sec-
24 retary of the Treasury shall adjust on a pro
25 rata basis the amount of the payments to



1 States determined under this section without
2 regard to this subparagraph to the extent nec-
3 essary to comply with the requirements of sub-
4 paragraph (A).

5 “(3) RELATIVE POPULATION PROPORTION
6 AMOUNT.—The relative population proportion
7 amount described in this paragraph is the product
8 of—

9 “(A) the amount described in subsection
10 (a) for a fiscal year; and

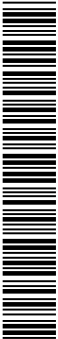
11 “(B) the relative State population propor-
12 tion (as defined in paragraph (4)).

13 “(4) RELATIVE STATE POPULATION PROPOR-
14 TION DEFINED.—For purposes of paragraph (3)(B),
15 the term “relative State population proportion”
16 means, with respect to a State, the amount equal to
17 the quotient of—

18 “(A) the population of the State (as re-
19 ported in the most recent decennial census);
20 and

21 “(B) the total population of all States (as
22 reported in the most recent decennial census).

23 “(d) USE OF PAYMENT.—



1 “(1) IN GENERAL.—Subject to paragraph (2), a
2 State shall use the funds provided under a payment
3 made under this section for a fiscal year to—

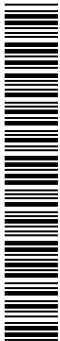
4 “(A) provide essential government services;
5 or

6 “(B) cover the costs to the State of com-
7 plying with any Federal intergovernmental
8 mandate (as defined in section 421(5) of the
9 Congressional Budget Act of 1974) to the ex-
10 tent that the mandate applies to the State, and
11 the Federal Government has not provided funds
12 to cover the costs.

13 “(2) LIMITATION.—A State may only use funds
14 provided under a payment made under this section
15 for types of expenditures permitted under the most
16 recently approved budget for the State.

17 “(e) CERTIFICATION.—In order to receive a payment
18 under this section for a fiscal year, the State shall provide
19 the Secretary of the Treasury with a certification that the
20 State’s proposed uses of the funds are consistent with sub-
21 section (d).

22 “(f) DEFINITION OF STATE.—In this section, the
23 term ‘State’ means the 50 States, the District of Colum-
24 bia, the Commonwealth of Puerto Rico, the United States



1 Virgin Islands, Guam, the Commonwealth of the Northern
2 Mariana Islands, and American Samoa.

3 “(g) REPEAL.—Effective as of October 1, 2004, this
4 title is repealed.”.

5 **TITLE V—CORPORATE ESTI-**
6 **MATED TAX PAYMENTS FOR**
7 **2003**

8 **SEC. 501. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
9 **TAXES.**

10 Notwithstanding section 6655 of the Internal Rev-
11 enue Code of 1986, 25 percent of the amount of any re-
12 quired installment of corporate estimated tax which is oth-
13 erwise due in September 2003 shall not be due until Octo-
14 ber 1, 2003.

And the Senate agree to the same.

